

**OPENING STATEMENT OF  
CONGRESSMAN PAUL E. KANJORSKI  
COMMITTEE ON FINANCIAL SERVICES  
HEARING ON WRONG NUMBERS:  
THE ACCOUNTING PROBLEMS AT WORLDCOM  
MONDAY, JULY 8, 2002**

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Mr. Chairman, we meet yet again to examine the legal problems plaguing America's corporations. As more and more scandals have come to light in recent months, the business section has often read more and more like the crime page. WorldCom's recent announcement that it had overstated its earnings by at least \$3.8 billion in 2001 and the first quarter of 2002 is only one of the latest examples of this unacceptable behavior.

With the revelation of WorldCom's questionable accounting practices, it has become increasingly apparent that these scandals did not result from some idle mistakes or a few fraudulent acts. For me, the WorldCom deceit is just the latest development to make clear that there are systemic problems with accounting irregularities, executive abuse, and corporate governance misconduct in our country's securities markets. It also greatly troubles me how so many corporate insiders, outside auditors, investment bankers, research analysts, and countless others could miss this simple, yet staggering, accounting deception.

Pursuant to an order of the Securities and Exchange Commission, executives at our nation's largest public companies have begun a review to affirm the accuracy of their corporate books. I thus expect that we will learn of additional cases accounting chicanery in the weeks ahead. After all, these problems have steadily increased for a number of years. In fact, a recent study by Huron Consulting Group found that the overall number of restatements in 2001 was more than three times those released in 1997. As a result, investors have lost hundreds of billions of dollars in, and workers have lost tens of thousands of jobs at, the companies issuing false financial reports.

The corporate misdeeds at WorldCom, Tyco, Adelphia, Rite Aid, Xerox, Global Crossing, and Enron have also challenged the credibility of our corporate financial reporting system. Congress must therefore take strong, decisive, and quick action to bolster investor confidence. Only a strong law will restore confidence in the integrity of the market and protect the hard-earned investments made by millions of middle-class Americans.

Accordingly, I hope that the Senate will pass a strong corporate accountability bill in the coming days. We must hold corporate executives accountable, enhance the independence auditors, improve oversight of the accounting profession, and end stock analysts' conflicts of interest. Before the August recess, we must send to the President's desk legislation that is much stronger than the weak bill passed by the House in April.

Moreover, as we work to hold America's corporate leaders accountable, I hope that our nation's top executive will take accountability within his White House. In recent days we have heard much about how President Bush repeatedly failed to file timely reports with the SEC regarding his insider sales of Harken Energy stock in the early 1990s. His staff has unfortunately analogized these late filings as getting caught driving 60 miles per hour in a 55 speed zone. Nevertheless, I hope that the President in his speech tomorrow will refute his aide's careless

dismissal of the SEC's rules. If the President seriously wants to strengthen corporate accountability, he needs to send a message that everyone must follow the law. We cannot allow an environment of permissive attitudes toward enforcing our country's securities regulations to continue.

In closing, Mr. Chairman, investors expect to be able to trust the information that companies provide to them. Congress must therefore examine what went wrong at WorldCom and other companies. To restore investor trust and protect our nation's overall economic health, Congress must also quickly pass -- and the President should sign -- real corporate accountability reform. I will continue working toward that important goal.

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